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New Hires Drive California IBank's Growth

By [Keeley Webster](#)

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LOS ANGELES — The California Infrastructure and Economic Development Bank has grown so much during Executive Director Teveia Barnes three-year tenure that the lender received approval from the state legislature this summer to hire 11 more people.

Barnes said her "IBankers" have grown the agency's role as an active lender, taken on a large role in the state's economic development efforts, and created a green bank that issued \$410 million in municipal bonds for the California Water Resources Control Board.

"We were able to demonstrate a need to the legislature for the new positions with the growth in our bond program and Infrastructure State Revolving Fund and the small business loan program, plus the need for marketing, community outreach and credit and securities compliance on bonds," Barnes said.

[IBank](#), which currently employs 31 people, was created in 1994 to finance public infrastructure and private development in California and has the authority to issue tax-exempt and taxable revenue bonds, make loans, provide credit enhancement and leverage state and federal funds.

From its inception in 1994 through Oct. 11, IBank has issued \$37.7 billion of bonds and loans.

The 11 new positions will be spread across all of its programs, Barnes said. The new hires will include new managers, loan officers, bond personnel, lawyers, accountants and a new IT person to help maintain its website, databases and intellectual property.

Though state lawmakers had to approve the new positions, the lender is not funded using general fund money. The legislature provided funding for the lender from its inception in 1994 through 2002, but since then it has been self-sustaining, Barnes said.

It raises funds by issuing bonds in the market. It has a small business loan guarantee program and eight financial development corporations.

IBank's budget comes from fee income on the money raised through loans and investments on its funds, Barnes said.

California Gov. Jerry Brown appointed Barnes in July 2013 with the mandate of helping IBank to become a more viable governmental entity that would live up to its potential in terms of infrastructure and economic development financing.

"IBank was not well-known when I joined," Barnes said. "Certainly, it is still not a household word, but I think we have done quite a bit to get word out about the programs since I joined and

to get the monies out the door – so that IBank could realize its full potential in terms of helping to revitalize the state of California."

Its green bank, California Lending for Energy and Environmental Needs, was created in October 2014 to provide money to clean energy and environmental programs. The \$410 million green bond issued in April was the largest financing in the state's history done for the state's Water Resources Control Board, according to officials. The bonds received three triple-A ratings. The proceeds provide local governments and other entities with low-cost financing for water pollution control projects.

The water board's Clean Water State Revolving Fund Program was created to implement the Federal Clean Water Act in California. The water board has to provide matching funds of at least 20% to secure Capitalization Grants from the U.S. Environmental Protection Agency.

The EPA has awarded capitalization grants totaling \$2.95 billion from 1989 through December 2015 for a state match that totaled \$637.72 million, according to bond documents. The water board pledged 88 project obligations from 25 recipients with \$1.62 billion in payments outstanding to IBank to back the bonds.

"We are continuing to look for opportunities that are appropriate for IBank to encourage clean energy, environmental and water projects; and to provide low cost financing and still be true to the founding goals of infrastructure and economic development," Barnes said. "I believe they go hand-in-hand."

Examples of projects funded by the green bonds are a project that enabled the city of Woodlands to reduce energy use in its wastewater program by 30%, she said.

IBank was achieving its mission as a conduit issuer prior to Barnes' tenure, but was issuing few direct loans to cities, counties and special districts to aid development. The year before Barnes was appointed, IBank only financed a \$7.5 million loan to a water district in San Bernardino County, according to IBank officials.

In contrast, IBank approved loans totaling \$86.5 million in fiscal 2015-16 for state and local government entities and local government-sponsored not-for-profit organizations for infrastructure and economic expansion projects. IBank has provided more than \$587 million in loans through that program since 1994.

IBank has been able to increase its lending by issuing bonds to build up its Infrastructure State Revolving Fund, which was depleted when Barnes took over, to \$141.6 million.

Barnes and her staff also set out to find out why they were not receiving more applications from municipalities seeking funding. The end result was a change in criteria several months into Barnes' tenure that included lowering the minimum loan threshold and raising the maximum above \$10 million.

The bank also changed the criteria to determine who qualified to better serve California municipalities, she said.

The lender's mission is to provide financing for local governments, non-profits, and manufacturing companies that might not otherwise have market access. It acts as a conduit issuer in some cases and issues bonds in other cases to enable it to provide direct lending for infrastructure projects.

It pools loans from municipalities and others who might not otherwise have access to the municipal bond market, because the amount they need to borrow isn't enough to justify the

expense of using bonds.

Governed by a five-member board, the IBank became part of the governor's Office of Business and Economic Development in July 2013. The governor also signed legislation in October 2013 placing California's Small Business Loan Guarantee Program and its farm lending program under IBank's umbrella.

Barnes is also mindful of the difficulties small businesses faced in securing loans or maintaining revolving lines of credit after the 2008 recession.

She worked with Sen. Robert Hertzberg, D-Los Angeles on Senate Bill 936, which reduced the required loan loss reserve from 20% to 10% for the state's Small Business Loan Guarantee Program. The default rate on small business loans has been less than 1% since 2011.

"The governor and legislature were comfortable with this program, because of the policies and procedures IBank has put in place to oversee this program," she said.

IBank's municipal lending programs have a similar track record.

Even San Bernardino has made payments on a loan it has through IBank throughout its bankruptcy, Barnes said.



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